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FAR EAST

Indochina

Vietnam: Little Military Activity, But...

The level of Communist military action remains low but there are numerous signs that a new flurry of shellings and ground probes is to begin soon. The current calm can be attributed in part to the recent heavy rains in the northern sector spawned by a typhoon and to seasonal flooding in the delta. North Vietnamese infantry and artillery units still pose a formidable threat near the DMZ. Elsewhere, enemy units have been getting ready for what appears to be another monthly increase in hostilities to be conducted for the most part by the enemy's local force and guerrilla units.

There is nothing

to suggest that the Communists have much more in mind than the usual flurry of harassing attacks, which typically include light shellings, widely scattered ground attacks against the more remote allied positions, abductions, and the interdiction of roads and waterways. The small groups of reinforcements sent into South Vietnam from Cambodia and Laos, for example, appear to be designed to strengthen the enemy's local apparatus rather than to concentrate large numbers of forces near key urban centers and allied bases as in some years past.

More on VC Election Plans

the Communists are organizing some of their people to influence the outcome of the coming South Vietnamese lower house and presidential elections.

special Viet Cong committees there are drawing up options covering both Communist participation in the elections and schemes to disrupt them.

Lists of prospective candidates in Binh Dinh are to be reviewed to determine which ones the Communists should encourage the people to support, which should be harassed during the campaign, and which ones should be targeted for assassination because of their strong progovernment positions. The Communists are also planning to collect and destroy individual identification and voter registration cards in the hope of fouling government checks of citizenship and voting eligibility. If these tactics are not effective, Viet Cong agents will attempt to encourage voters to put Communist propaganda leaflets in voting boxes instead of ballots. If none of the above tactics seems likely to pay off, Viet Cong military units may attack some voting areas and government security units protecting them.

the Viet Cong are taking a flexible approach toward the elections. The Communists, however, apparently intend to concentrate more heavily on supporting antigovernment candidates for election than on acts of terrorism against candidates and the electorate. Whatever they do, it is doubtful that their influence will be very great. Threats to disrupt previous South Vietnamese elections have been followed by very few significant incidents. Communist support for

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~~selected lower house candidates may ensure success for some of them, but the Communists probably will not be able to weigh in heavily enough to tip the balance in the presidential contest.~~

Laos: The Dialogue Continues

The Communists have sharply rejected Prime Minister Souvanna's proposal of 5 July for a cease-fire on the Plaine des Jarres. In a tough and unyielding letter to Souvanna on 11 July, Lao Communist leader Souphanouvong stated that in proposing a cease-fire on the Plaine, Vientiane was, in effect, rejecting the Communist proposal for a country-wide cease-fire. He argued that imposing a country-wide cease-fire was within the power of the Laotian parties, and that in rejecting it Souvanna was serving US interests. This is an allusion to the fact that a country-wide cease-fire would affect the US bombing program in the infiltration corridor.

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The letter comes down hard on Vang Pao's current offensive on the Plaine, which it describes as an "extremely serious" act. It ties Souvanna's 5 July proposal to the offensive and implies that it is evidence that Vientiane is not genuinely interested in reaching a settlement. The letter makes no reference to withdrawing the "special emissary" who is in Vientiane or to breaking contacts with the government. The Communists may still hope that they can convince Souvanna that it is in the government's interest to be more accommodating to their demands for talks.

The tone of the letter, however, suggests that the Communists doubt that there will be progress toward negotiations at least until the military situation on the Plaine turns again to their advantage.

The Souphanouvong letter may diminish the high spirits now enjoyed by the leaders in Vientiane, but it is not likely to change orders to Vang Pao to take as much territory as he can. It would be both politically and psychologically difficult for Souvanna to rein in his troops when they have the upper hand, and he believes that gains on the ground will strengthen his future bargaining position. Souvanna evidently has little expectation that the Communists are interested in a partial standdown in north Laos, and the chances for early meaningful negotiations are therefore slim. In its insistence on a nationwide cease-fire, the latest Souphanouvong letter will only reinforce the view that there is nothing to negotiate about at this juncture.

Vang Pao's irregulars continue to encounter only light resistance as they press forward on the Plaine. On 11 July 200 of the irregulars occupied without opposition Phou Keng, the strategic high point overlooking the northwestern Plaine. Other irregular units conducting clearing operations continue to discover small caches of enemy supplies.

The Communists have so far made only scattered probes and harassing attacks on government positions.

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Changes in Military Commands

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Cambodia: The Grain Drain

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It is possible that, at present consumption levels, rice stocks in the capital will be exhausted by mid-November. Moreover, planting in Battambang Province for next season's crop appears to be substantially behind schedule due to early flooding, labor shortages, and a lack of incentives stemming from low paddy prices. Consequently, it is possible that only a small surplus will be available in Battambang next year for shipment to Phnom Penh.

The rice situation may be less serious than it seems, however. Because merchants are often inclined to conceal the size of their rice holdings, official figures almost certainly underestimate the amount of rice still in private hands. In addition, reports of rice smuggling from Cambodia into South Vietnam appear to be highly exaggerated. The government-organized system of rice convoys between Battambang and Phnom Penh is now in full swing and should serve to ease the shortages in the capital.

Cause for Cheer in Kampot

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25X1 The Communists reportedly have run into some serious trouble in their vigorous effort to build an effective Khmer Communist (KC) movement in the southwestern province of Kampot.

large numbers of KC supporters recently have been deserting in one district in Kampot. The majority of the defectors are young Cambodians who joined Vietnamese Communist (VC) ranks when the war first began. The defections—which may run as high as 2,000 men—have caused the VC to mistrust remaining KC cadres. As a result, the VC have been reclaiming the weapons of KC guerrillas in various villages in the district. The desertions and the withdrawal of weapons have demoralized KC elements still serving with the VC; they apparently are also unhappy because villagers are not providing them with adequate food supplies.

Pacification and Accommodation in Kompong Cham

Kompong Cham still appears to lead the rest of the provinces in developing a pacification program, although progress is clearly slow. The governor of

Kompong Cham recently ~~told visiting US Embassy officials~~ that he is trying to develop a two-level pacification security system in the province. The first involves the arming of individual villagers to protect their homes; this volunteer force now consists of 1,200 villagers. The second involves building a paramilitary organization composed of locally recruited military commandos who are carried as regular Cambodian Army (FANK) units, "youth commandos" who are assigned to each district to provide security for schools and other buildings, and civil servants who defend their own offices.

In theory, as FANK troops gain control of a village or town a "mobile administrative group" moves in quickly to establish the framework of the governmental structure. In addition to various administrators, these groups include Buddhist monks. To underline the magnitude of the pacification problem, the governor noted that only nine of the province's 16 districts are now under government control.

Although it is not part of the pacification program, some accommodation with the Communists has also taken place in Kompong Cham. Rice and rubber are reaching government markets each day from Communist-held areas, and when queried as to this evidence of cooperation with the enemy the governor would only say that "people have to live."

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Phnom Penh is taking a less relaxed view of the smuggling of rubber and other goods in Kompong Cham, however, because such trade involves FANK personnel and equipment and because it is an important source of funds to the enemy. To help crack down on the smuggling, FANK control points on Route 6 in Kompong Cham reportedly are to be reinforced so that a more thorough check of all vehicles on that highway can be made. This is not likely to be very effective unless there is a change in attitude on the part of the local FANK commander, who apparently is profiting from the trade.

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Communist China: *More Pieces in the Leadership Puzzle*

A member of the Romanian party delegation which visited China in June has provided further evidence that Kang Sheng, a member of the elite politburo standing committee and adviser to the militant Cultural Revolution Group (CRG), has lost considerable political power. ~~In a conversation last week with the US ambassador in Bucharest, First Deputy Foreign Minister Macovescu~~ declared flatly that "Kang no longer occupied a post." If this account of Kang's status is correct, his downgrading confirms a substantial shift in the unsettled politburo against those radical ideologues who were the prime movers in Mao's Cultural Revolution.

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The Romanian diplomat had attended a major reception held in Peking by Mao Tse-tung for party chief Ceausescu on 3 June. Kang, who was making his only public appearance since last November, was described as a sick man who had come out of the hospital to greet the Romanians as a courtesy. The removal of a leader of Kang's stature from his posts for reasons of health simply does not square with past Chinese Communist practice; his principal illness is almost certainly political.

During Kang's nearly seven-month absence from public view, several stories circulated in Peking that he, along with Chen Po-ta, the long-absent standing committee member and former CRG head, had been censured at a major party plenum last autumn for extremist activities during and since the Cultural Revolution. In recent months, there have been numerous reports that a nationwide crackdown on extremists is intensifying, and it appears that Chen Po-ta, at least, has been purged on the grounds that he organized the notorious "May 16 Corps." This was an ultraleftist group which in 1967 allegedly

attempted to undermine the positions of Premier Chou En-lai and several of the major regional military commanders who are considered among the moderate figures on the politburo. Although Red Guard accounts linked Kang with the "May 16 Corps," the recent charges against him were never specified even in the rumors, suggesting that the question of his political fate was the subject of prolonged debate.

The Romanian official was also asked for his views on the status of Vice Premier Hsieh Fuchih, who has appeared to have been linked more closely with moderate forces on the politburo and who appeared for the first time in over a year to meet Ceausescu. Although Macovescu refused to comment on Hsieh, suggesting that the Romanians themselves are unsure of his status, they tend to differentiate between his fate and that of Kang. Indeed, the Romanian view seems to square with Peking's official account of the 3 June appearances; Kang was identified only as "comrade" while Hsieh was accorded nearly all of his present party and government titles.

Because neither Kang nor Hsieh has appeared publicly since the Ceausescu reception, it still is not clear why both men were put on display. There have been reports that Hsieh too had been hospitalized, and Peking may have hoped to seize on the occasion to convey the

Kang Sheng



Is His Political Illness Terminal?

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impression that both men have been inactive for so long simply because of ill health. A more likely explanation is that their reappearances represent contrived attempts by their respective supporters to demonstrate that neither the leftist nor moderate forces have permanently lost ground in the intense factional and personal power struggle still under way within China's politburo. In any case, the political seesaw in Peking probably has not

yet tipped permanently in favor of the moderate military-administrator grouping led by Premier Chou En-lai. The uncertain political status of Hsieh Fu-chih, as well as of an alternate politburo member, and of several ranking officers in the sensitive Peking Military Region, all of whom were under heavy fire from the ultraleftists during the Cultural Revolution, indicates that the radical elements still retain some power.

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Burma: *The More Things Change...*

General Ne Win's military regime remains essentially unchanged despite recent structural changes ostensibly designed to transfer power from the army to the Burma Socialist Program Party (BSPP). The BSPP, Burma's only recognized political party, completed its first congress on 11 July. It went through the motions of transforming itself from a "cadre" party to a "mass" organization and established the apparatus through which it is eventually to assume political control of the country. To the surprise of no one, General Ne Win—currently chairman of the ruling Revolutionary Council—was unanimously elected chairman of the BSPP, and his heir presumptive, Brigadier San Yu, was voted general secretary. Of the 200 members of the party's Central Committee, which apparently will be the highest policy-making body in the government, 146 are senior military officers. All other important party posts have similarly gone to current military and government leaders.

The congress also approved cosmetic changes that are designed to imply an increased civilian role. Four civilians were added to the Revolu-

tionary Council, and a 30-member civilian consultative body was established to "advise" the Council. Only one civilian, however, was named to the 15-man executive of the party's Central Committee.

The timing of the full transfer of power to the BSPP is indefinite. It awaits, among other developments, the drafting of a state constitution, the selection of a prime minister and council of ministers, and the further organization of the party's substructure. The party itself now has 72,000 members, over half of whom are from the military or the defense ministry.

This entire exercise was designed ostensibly to carry out Ne Win's frequently reiterated promise over the past nine years to "return power to the people." The result is the further development of an authoritarian political party that perpetuates the present military leadership. The public remained largely disinterested throughout the two weeks during which the congress was in session. It would have been unable, in any event, to bring leverage to bear on the proceedings.

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EUROPE

Balkan Fears: *Real or Illusory?*

Romania and Yugoslavia have exhibited growing concern over Soviet intentions toward them in recent weeks. Bucharest is girding the party and people to resist increased psychological pressure from its Warsaw Pact allies. Belgrade for its part has issued a stern warning about overflights to neighboring Bulgaria, Moscow's sycophantic Balkan ally.

Romanian leader Ceausescu launched a campaign for intensification of ideological and cultural orthodoxy on 7 July. In a 17-point directive, more regressive than a similar statement in February, Ceausescu warned the Romanian people that political tension lies ahead by exhorting them to "spare nothing for the country's independence and sovereignty." In addition to removing possible grounds for Soviet criticism, the program also reflects Ceausescu's purist ideological outlook and his deep disappointment with the party's failure to indoctrinate the Romanian people, especially youth.

The campaign was advanced another notch on 9 July when Niculescu-Mizil, the party's ideologue, published a lengthy article in the newspaper, *Scinteia*, strongly reaffirming Romania's independent foreign policy and, in particular, defending Ceausescu's tour of Asia in June. The article pointedly criticized "those," who try to use an "outside forum to pronounce sentences, to interfere in Romanian internal affairs."

The "outside forum" was the Hungarian media, which recently have twice publicized alleged Hungarian-Romanian differences. The *Scinteia* article clearly considered that Moscow had inspired these statements, including a "distorted" Budapest TV commentary of 30 June on Ceausescu's visit to China. The text of the Hungarian broadcast is not available, but it presumably echoed Moscow's displeasure over the trip. The Kremlin's sparse public reaction to

Ceausescu's tour centered on Bucharest's alleged failure to honor the "consultation" clause in the Romanian-Soviet treaty of July 1970, but it reflected a more general concern over increased Chinese activity in Eastern Europe, which Niculescu-Mizil endorsed in his article.

Meanwhile, Romanian media continue to approve Ceausescu's travels and his call for intensified political indoctrination in a manner designed to demonstrate to Moscow that all segments of the Romanian party and people stand firmly behind him. Contributing to Ceausescu's effort to make clear that he remains in complete control of the party and the internal scene were his decisions to criticize sharply Minister for Youth Affairs Ion Iliescu and some functionaries in the agitprop and education sectors.

Other pronouncements as well as disciplinary measures perhaps can be expected as Bucharest seeks both to implement the new program, and to avoid participation in joint Warsaw Pact exercises next month in Bulgaria. Romania's persistent opposition to meaningful participation in joint exercises—whether on foreign or native soil—has particularly irritated Moscow in recent years. Legislation defines elaborate procedures to be followed before Bucharest can authorize Romania's participation, or even the transit of foreign troops across its territory. Ceausescu can be expected to use the legislation to put off Pact demands. Moscow may already have proposed that Soviet troops cross Romania for next month's exercise in Bulgaria. There is as yet, however, no direct evidence of this, nor is there direct evidence of any other Pact effort, such as a summit meeting, to draw Bucharest into line. Moscow, nonetheless, will probably try to use the upcoming exercises as a means of keeping the heat on the recalcitrant Romanians.

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Meanwhile, Belgrade last week hosted Romanian Defense Minister Ionita. The talks provided an opportunity to exchange readings on Soviet intentions. Significantly, Ionita's arrival on 8 July coincided with an official Yugoslav protest to Bulgaria, which in the past has often acted on Moscow's behalf. The protest alleged that Bulgarian aircraft overflew Yugoslav territory on 4

July and it warned that any future violation of Yugoslav airspace would endanger "peace and security in the Balkans." There is as yet no confirmation of such a Bulgarian overflight, and the four-day delay in issuing the protest may mean that Tito was once again trying to alert the Yugoslav people to a potential deterioration in relations with the USSR. [REDACTED]

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USSR: *Work Accelerates on the Kama Truck Plant*

Construction is progressing well on the Kama Truck Plant, although the completion date will be extended beyond 1974 because of protracted difficulties in obtaining Western technical and financial assistance. The complex is the largest single construction project of the current Five-Year Plan (1971-75) but is not expected to reach its maximum output of 150,000 heavy diesel trucks until the late 1970s.

Progress has been made on three of the six main production shops: the tool and repair shop is the most advanced, and the foundry and the stamping shops are also under way. Construction work has been gathering momentum since the first ground preparations were made in late 1969 and early 1970 on the 36-square-mile site located about 560 miles east of Moscow on the Kama River.

According to Soviet estimates, the total cost of the project will be in excess of \$3 billion, up to one third of which may be spent in the US and Western Europe for licenses, technology and equipment. The USSR will outfit only one of the production facilities, the tooling and repair shop, which requires chiefly standard, nonspecialized machine tools.

Based on a recent protocol, the US firm of Mack Truck was prepared to assume substantial engineering and management responsibilities for designing and equipping the Kama plant. The company, however, has demurred on participation in the project at this time. This action will force the Soviets to improve their terms for Mack,

seek out another Western partner, or try to handle the project on the basis of their own outmoded technology.

The current estimate of expenditures that could be made in the US is in the range of \$140 million to \$200 million. This does not include purchase orders which may be concluded with US subsidiaries or licensees in Western Europe. The SATRA Corporation, the trading firm that represented Mack Truck, estimates \$750 million as the upper limit of potential purchases over a long-term period in the West. Renault is now the only West European firm with a major supporting role for Kama.

The Kama plant is the key to Soviet plans for modernizing the freight transportation system. The USSR intends to reduce the use of the rail system for intercity and short hauls by substituting large capacity trucks such as will be produced at Kama. The use of these large, three-axle, diesel trucks will be economically feasible because of their 20-ton carrying capacity when equipped with a semitrailer, compared with the four-ton average capacity of most of the 5-600,000 trucks now produced annually in the USSR. In addition, the Kama trucks will be light enough for most Soviet roads, whereas present three-axle trucks are too heavy for much of the system. Although Kama trucks could be used by the military to transport heavy cargo, they are not specifically designed for military use and probably will be used primarily in industry and agriculture. [REDACTED]

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Franco-German Talks: *Cordiality But Differences*

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The regular biannual meeting of President Pompidou and Chancellor Brandt in Bonn last week was devoted largely to a discussion—sometimes heated—of outstanding issues affecting Europe in general and Franco-German bilateral relations in particular. In public statements, both sides stressed the themes of cordiality and unity. Nevertheless, accord was lacking, particularly on defense matters and monetary affairs.

Both Pompidou and the cabinet ministers with him devoted much of their time to strongly denouncing proposals aimed at mutual balanced force reductions (MBFR) in Europe. Pompidou summed up French concern by telling Brandt that "a wave of neutralism" might follow in the wake of US troop reductions, and dramatically emphasized this concern by warning in German at the close of discussions on MBFR: "Achtung, Achtung, Achtung." The Germans, who are cautiously advocating that any reductions include indigenous as well as US and Soviet troops, appealed to the French to participate in the working out of a strong, joint Western position on the issue.

On monetary affairs, the French did not conceal their dissatisfaction with the float of the Deutschemark. They were pleased that Brandt stated Bonn's intention to restore the mark to fixed parity in the "near" future, and to cooperate with Paris in tightening controls over the flow of capital.

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Following the talks, a German spokesman made reference to the "long-term possibilities for cooperation in aeronautics and engine construction," and French press secretary Hamon spoke of the need for "privileged and long-term cooperation." These statements, however, were more declarations of intent than reflections of concrete agreements on bilateral cooperation. Such joint projects as the Alpha jet are still plagued by unresolved problems.

Brandt praised Pompidou's role in the UK accession negotiations, but a detailed discussion of the future of the European Community was avoided, probably in deference to the conflicting supranationalist goal of the Chancellor and confederalist view of the President.

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Both sides affirmed their intention to pursue a Berlin accord through the summer in anticipation of an agreement among the four powers responsible for Berlin by early fall.

Finally, the Germans immensely pleased Pompidou by agreeing to elevate French to a status equal to that of English in the German schools.

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Franco-Soviet Economic Relations: *More Pretense Than Performance*

Next week's meeting of the Grande Commission will take place against the backdrop of recent exchanges of delegations and editorial atmospherics. The commission has met periodically since 1966 to explore possible areas of cooperation in the economic sphere between France and the USSR. Based on trade data, this organization

was most effective in its early years in promoting French exports of machinery and equipment.

Reflecting some hesitation on the part of Paris, the partially government-owned firm of Renault declined the offer to design and build the engine plant at the Kama Truck Plant, although

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the firm will undertake a substantial role as an equipment supplier and purchasing agent for the complex. In a reversal of the normal flow of technical assistance, the Soviets are to help build a metallurgical complex near Marseilles, but the French concern involved reportedly has reduced the prospective Soviet role to the insubstantial level. The French also apparently are no more interested in developing the extensive Udokan copper deposits in Siberia than are the British and the Japanese, and the French SECAM color television system has been something less than a complete success in the USSR.

Increased cooperation in the supply of oil and gas to France may be a more promising area of limited collaboration between the two countries in light of Algeria's nationalization of the major crude oil supplier of France's most important government-owned petroleum company. Furthermore, both sides have some interest in building a refinery at Le Havre because Soviet efforts to develop a refinery complex in Antwerp have not been successful, but the French are said to be unhappy at the prospect of using Soviet equipment in this project. A contract to supply

France with natural gas may be signed soon, although the amount involved—2.5 billion cubic meters over 20 years—is small compared with the USSR's deals with West Germany and Italy.

Last year France and the Soviet Union agreed to double their trade during 1970-74 from the \$464 million in total turnover registered in 1969, although the level of trade last year was virtually unchanged. Prospects for further increases are relatively good, however, particularly because Paris has agreed to provide about \$800 million in long-term credits to be drawn during this period.

As a result of these developments, the French are not approaching the late July session of the Grande Commission with any particular sense of urgency. Moscow also has given no indication that it intends to give this meeting of the commission more than cosmetic publicity. In the last analysis, the development of commercial relations between the two countries will depend on the degree to which the USSR can supply goods wanted by French importers and the ability of French industry to compete for Soviet orders for capital goods.

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United Kingdom: *Debate Heats Up on EC Entry*

The debate on the issue of British entry into the European Communities (EC) escalated last week as the Heath government presented its long-awaited White Paper defending the terms negotiated for accession, and as the Labor Party's position appeared to drift further toward outright opposition.

The White Paper argues that the economic benefits of membership lie primarily in British participation in the more dynamic growth of EC members. Faster growth in an enlarged European market would give the UK opportunities to make

structural changes in British industry based on rationalization, economies of scale, and exploitation of the UK's comparative advantages. More efficient and dynamic industries would in turn permit Britain to compete more favorably with the industrial giants of the US and Japan. Major objections to membership, such as concern over higher food prices as a result of adoption of the Common Agricultural Policy, are downplayed. The paper argues that the rise in retail food prices will be only about 2.5 percent per year, and that acting to offset food price increases will be lower prices for manufactured goods as reductions in intracommunity tariffs go into effect.

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In his speech on 9 July responding to the White Paper, Labor Party leader Wilson was sharply critical of the entry terms negotiated by the Tories, and strongly suggested that he would come out formally against entry by the end of July. In addition, Dennis Healey and Anthony Crosland, two members of Wilson's shadow cabinet who had previously taken promarket positions, announced that they might vote against entry unless the government alters its present unpopular economic policies. If Healey and Crosland defect, there will no longer be a promarket majority in the shadow cabinet.

Labor Party leaders are simply bowing to the tide of antimarket opinion evident in almost all segments of its constituency. According to the respected National Opinion Poll, sentiment against entry "seems highest among skilled, semi-skilled and unskilled workers...and among Labor

supporters." In addition, the unions and the rank-and-file of the party are overwhelmingly against entry. Thus, when the issue is considered on 17 July at the special Labor Party congress, the antimarketeers will almost certainly force through a formal resolution opposing entry.

The timetable for future decisions related to entry was also set last week. The White Paper will be the subject of four days' parliamentary debate between 21 and 26 July and the definitive vote on entry will be on 28 October, following six days of debate. Heath apparently continues to be opposed to a "free vote" on the entry issue, that is, one that would free MPs from traditional party discipline, despite the fact that this procedure would probably favor a larger promarket vote than the narrow victory margin still predicted by most British observers.

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EC Foreign Policy Consultations Pick Up Momentum

Differences on foreign policy issues under consideration notwithstanding the six members of the European Communities are intensifying the political consultations inaugurated last year. In a series of meetings between now and the fall the Six will pursue studies of the Middle East, as a follow-on to the initial report on the area completed this spring, and will increasingly get into European security issues.

At a meeting in Rome on 1-2 July the political directors of the foreign offices of the Six agreed to French proposals to prepare papers on possible peace terms in the Middle East and on the "political and juridical guarantees" of a peace agreement. Mediterranean policy as a whole will also be discussed in three groups proposed by the French to cover the Middle Eastern, Northern African, and European Mediterranean states. The possibility of a UN Security Council meeting on

Jerusalem was subsequently discussed by embassy officers from the Six in Paris at a session which the French called on 8 July. Meanwhile, under a mandate for taking up "current affairs," the Six in Rome discussed recent events in Malta—a fact which they intend to hold closely.

A Dutch official has claimed that any papers the Six produce on the Middle East will be less formal than the earlier position paper, which aroused the ire of Israel and gave the impression of greater agreement among the Six than is the case. The French nevertheless still probably hope that continuing EC consultations will indirectly add weight to Paris' role among the Big Four.

It was decided at Rome that a working group would explore the political aspects of East-West security problems and of relations between the EC and CEMA. The Germans opposed an

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Italian proposal to list mutual and balanced force reductions (MBFR) as a distinct topic, but have admitted that MBFR might nevertheless be raised in the evolving caucus on security issues of interest to Europe.

An inconclusive discussion was held on more closely associating the four candidates for EC membership with the political consultations. France still appears reluctant, for the moment at least, to go beyond present procedures of informing the candidates following meetings of the Six. Although the Six seem increasingly concerned about maintaining the confidential nature of their discussions, they plan to keep the US well in-

formed and, at the request of Bonn, will develop a coordinated "information policy" vis-a-vis the US and other important nonmember states.

On the whole, the political consultations have thus far stressed procedure and played down movement toward recommending common policies. Most members are clearly reluctant now to go so far in a policy direction that a debate on creating new European decision-making institutions would be opened, especially before an enlarged Community including the UK becomes a reality.

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Iceland: *Yankee, Go Home?*

The left-center government, installed this week with Progressive Party leader Olafur Johannesson as Prime Minister, is a political oddity that may not last long. In the meantime, however, the three-party coalition of the Progressive Party, the Communist-dominated Labor Alliance, and the Liberal Left Party will be a problem to Iceland's NATO allies. The government plans to renegotiate the country's defense agreement with the US and to extend the country's fishing limits from 12 to 50 miles, to the distress of the British, West Germans, and East Europeans.

The key to putting the coalition together was the agreement won from Liberal Left leader Hannibal Valdimarsson. A political maverick who has previously been a leader of the Social Democrats and the Labor Alliance, Valdimarsson was the big winner in last month's elections. At 68, he still wants to unite his party with the Social Democrats to form a reinvigorated, non-Communist left. He tried to bring the Social Democrats into the new coalition, but they were convinced that their party needs a period in opposition to recover from a series of electoral defeats.

During the four-week coalition negotiations, Valdimarsson was a tough bargainer, acquiring more portfolios than his party's strength would seem to merit (Progressives, 5; Labor Alliance, 4; Liberal Left, 3). The Progressives, anxious to return to power after 15 years on the sidelines, were apparently prepared to be generous. The Labor Alliance, though out in the cold just as long, was less flexible, and the new government's program reportedly admits the failure of the parties to achieve a consensus on Iceland's NATO membership, which will be continued but periodically reviewed. All three parties suffer serious factionalism, and in all there are undoubtedly influential persons who oppose the arrangements made.

Although the new foreign minister, Einar Agustsson, comes from the pro-US wing of the Progressive Party, the government's program includes negotiating a withdrawal of the US-manned Icelandic Defense Force (IDC) phased over four years; Iceland has no armed forces of its own. Although not an election issue, the force's presence is an irritation to the left or simply

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xenophobic constituencies that the coalition parties represent.

Traditionally, there has been a link between Reykjavik's attitude toward a US military presence and economic assistance. When Iceland called for the removal of the forces at the end of World War II, the US managed to retain use of certain defense facilities under an Air Force civilian contractor in return for technical assistance. In 1956, when a previous center-left government called for US forces to leave—they were reintroduced in 1951 after Iceland joined NATO—the

status quo was preserved in exchange for \$9 million in US loans.

A moderate and capable Communist will head the Fisheries Ministry during the coming period when Reykjavik will be self-assertive. Because the fisheries are its major source of income and are subject to forces beyond its control, Iceland has encouraged private foreign investment for diversification of the economy. The new minister of industry will also be a Communist, suggesting the USSR may be given opportunities.

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Malta: *Mintoff Asks NATO To Leave*

Prime Minister Mintoff has asked NATO to leave Malta, thus making the uncertain UK-Malta negotiations even more important if the West is to retain a base on the island.

In a message to NATO on 14 July, Mintoff announced termination of the current arrangements for NATO facilities and forces in Malta. The North Atlantic Council (NAC) instructed Secretary General Brosio to notify NATO military commanders to prepare for compliance, and the NAC will probably authorize Brosio to inform Mintoff that the NATO presence will be ended.

Mintoff claimed in his message that the action was necessary because London has turned a "deaf ear to Malta's pleas" for immediate renegotiation of the UK-Malta defense arrangements. The British representative to NATO, on instructions from London, expressed doubt as to whether a new agreement that would preserve a British veto over possible Soviet use of military facilities on Malta could be negotiated, but he

asked the other Allies if they would be willing to help pay the amount that would be required to obtain such an agreement.

A senior Maltese Foreign Ministry official had expressed to the US Embassy his anxiety over the state of the UK-Malta negotiations. He personally believes that a recent Mintoff message stating that "under the present circumstances" London should plan to withdraw its forces from the island was not a bluff, and he does not know how Mintoff will react if an accommodation is not reached by the end of July, the deadline established by the premier. The official suggested that Washington and NATO put pressure on the British to send a minister with full negotiating powers to Valletta immediately.

Mintoff has told special emissaries from Bonn and Rome that he desires above all to reach an agreement with the UK, provided he can obtain a substantial increase in British aid.

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MIDDLE EAST - AFRICA

South Asia: *The USSR Does Not Want War on the Subcontinent*

The continuing agitation in India for direct military intervention in East Pakistan has prompted Moscow to intensify its efforts to prevent wider hostilities.

In *Izvestiya* on 9 July, Moscow pointedly reminded India and Pakistan of its desire that war be avoided on the subcontinent. The author noted that local clashes had in the past frequently led to broad military conflicts, and urged both countries to find a speedy political solution to their problems over East Pakistan. The *Izvestiya* article specifically endorsed Mrs. Gandhi's condemnation of those in India who advocate war with Pakistan.

The article assigned no blame for the current border tensions but it left no doubt that Moscow believed West Pakistani leaders bear primary responsibility for resolving the refugee problem. The article also suggests, for the first time publicly, that the Tashkent experience might be relevant to the current situation. At the Tashkent Conference in January 1966, Soviet Premier Kosygin met with Indian and Pakistani leaders and succeeded in getting them to agree to withdraw their troops to positions held prior to the outbreak of the fighting in August 1965, to repatriate prisoners of war, and to work toward improving cultural and economic ties. The *Izvestiya* article implies that face-to-face Indo-Pakistani meetings might also prove useful in the current context.

Moscow's concern that China will profit from the situation is reflected in the article's expressed hope that "other countries" will refrain from taking steps that might exacerbate the situation. From the outset of the crisis, less authoritative Soviet propaganda has sought to portray the Chinese as trying to exploit the situation for their own "hegemonistic" aims. In a 5 July broadcast, for example, the Soviets charged the Chinese with instigating the "East Pakistani armed revolt against the central government," and then oppor-

tunistically coming to the aid of that government so as to intimidate the Indians.

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Indian Reactions

So far, however, most Indians appear to have missed the Soviet peace message, and it is likely that much stronger language will be necessary to convince even Prime Minister Gandhi that the Soviets would not back India should Indo-Pakistani hostilities break out. Indian officials continue to express confidence in Soviet support and cite examples like *Izvestiya's* recent acknowledgment of a condolence message from "Bangla Dosh" on the death of the Soviet cosmonauts as evidence that Moscow anticipates the eventual creation of an independent Bengali state in East Pakistan.

Moreover, it is unlikely that Mrs. Gandhi would be willing to meet with Pakistani President Yahya on the Bengali problem. Her government has taken the position that only Islamabad can stop the fighting and that the civil war is essentially a matter for discussion between the East

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and West Pakistanis. Yahya, on the other hand, has expressed a willingness to meet with Mrs. Gandhi and presumably would react favorably if

the Soviets should formally suggest an Indo-Pakistani summit. [REDACTED]

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East Pakistan: *Gloomy Prediction*

A pervasive fear of the army, a lack of effective action by the provincial government, and guerrilla activity are all contributing to the absence of any significant progress in solving East Pakistan's problems.

Foreign observers are struck by the almost complete lack of movement in the countryside in a province with one of the world's highest rural population densities. Many fields lie untended because farmers have fled or are in hiding. Rice production during the current crop year, which began this month, is expected to be far below earlier projections, and it is now anticipated that the province will have a food deficit of about 3.4 million tons.

Even if imports of this magnitude can be arranged, East Pakistan does not have the facilities to handle them. Ports are operating below capacity, and guerrilla activity is hampering government efforts to restore the province's transportation system. It is doubtful therefore that as much as two million tons of food grain could be imported and distributed.

Although prospects for a serious famine are increasing, the provincial government appears unable or unwilling to take necessary remedial action. The military governor, Tikka Khan, seems unaware of the full seriousness of the situation and is publicly denying the danger of famine. Civilian officials are doing little to meet the problem, being afraid to approach the governor and

other military officials and lacking the authority to act independently. ~~In some cases, discontented Bengali officials may be actively trying to sabotage the government effort.~~ In many parts of the province the local administration has disappeared, and fear of the army combined with the assassination of collaborators by the insurgents precludes an improvement in the situation.

The flight of workers from the cities has left industry in sad shape. The output of jute goods in June was only 20 percent of normal. Recently, the shortage of raw materials has forced several industrial plants to close, and other factories are threatened. The sabotage of electric power lines also threatens industrial production—one attack cut off most power in Dacca for several days.

The many inconsistencies in Islamabad's budget for East Pakistan over the next year suggest that the province will be hard pressed to finance many normal economic activities.

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[REDACTED] US officials in India estimate that the Bengalis continue to leave East Pakistan at the rate of 50,000 a day, and the total number of refugees is approaching seven million. Pressure on Prime Minister Gandhi for military intervention continues, and Defense Minister Jagjivan Ram told Parliament that the insurgents will win and that they "have all our support." Nevertheless, Mrs. Gandhi apparently still plans to follow a cautious policy. [REDACTED]

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Morocco: *The King Still Reigns...*

An uneasy calm prevails throughout Morocco in the aftermath of an unsuccessful coup attempt on 10 July and the subsequent execution of 10 officers alleged to have been involved.

Although the objectives of the five generals said to have led the attempt remain obscure, their motives probably varied. They were among the most experienced and competent of Morocco's army officers; all were Berbers, long considered to be the bulwark of King Hassan; all were wealthy as the result of having enjoyed the King's favor; and none was known to have any sympathy for the Moroccan opposition or the military regime in Libya or to want to involve Morocco more deeply in Middle East affairs.

General Medbouh, who as director of the King's military cabinet occupied a key post in military affairs, was identified by Hassan as the group's ringleader. He apparently planned no physical harm to the King, but wanted to have sufficient pressure exerted so the King would effect reforms needed to eliminate the corruption that pervades all levels of the Moroccan Government.

Although Hassan bestowed "all military and civilian power" on his minister of interior, Major General Mohamed Oufkir, it soon became evident that Oufkir must share military responsibilities with Major General Driss ben Omar, communications minister and former de facto commander of all military forces. Oufkir's responsibilities will be to clean out the pockets of resistance, while Driss will serve as general staff to the King, who remains commander in chief. The two are long-time rivals and thus are likely to become the nuclei of regrouped factions.

Civil authority still is exercised by the King and his ministers, with Generals Oufkir and Driss playing a civil as well as military role. At a cabinet meeting late Tuesday, over which Hassan presided as is his custom, the government decided to propose to the council of representatives the creation of a state security court. The government also formed two commissions; one, a commission of inquiry into Saturday's coup attempt; the other will look after the families of the more than 100 persons killed by the insurgents. The considerable properties of those executed on Tuesday as well as those of General Medbouh and of the lieutenant colonel who commanded the insurgent unit will be allocated to a pension and compensation fund.

GUINEA: Guinea's six-month-old purge finally has touched the military high command. A court-martial, acting on charges handed down by a special commission investigating alleged fifth column activities, sentenced to death for treason the former armed forces chief and seven other high-ranking officers. The charges grew out of the army's poor performance last November during the Portuguese-led attack on Conakry.

There are few signs the terror in Guinea is abating, and there may soon be a repeat of the public show trial staged in January.

as the purge widens, it risks provoking some kind of popular revulsion, although there is no overt sign of hostility by the populace to President Toure at this time.

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Jordan: *The Army Closes In*

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Army units this week kicked off an attack on fedayeen strongholds in the north—the last remaining area of significant guerrilla strength. ~~Clashes had been occurring almost daily since~~ early July in the neighborhood of Jarash—a hilly, wooded region where the commandos were strongly entrenched. Although the army had been showering the fedayeen dugouts with artillery and mortar fire in an effort to dislodge them, this tactic had been largely unsuccessful in inflicting casualties, lowering fedayeen morale, or inducing the guerrillas to expend their heavy ammunition. The fedayeen simply continued their habit of sallying forth from their positions on the heights to harass groups of soldiers; they had also been carrying out raids on farmers in the region to obtain food.

After weighing the likelihood of adverse political and propaganda consequences—particularly given the recent warming trend in Jordan's relations with Egypt and its other neighbors—the government decided that the situation could not be allowed to continue. The King therefore authorized what was intended to be a short, small-scale ground attack—utilizing two reinforced brigades—to dig out the fedayeen from their commanding positions and force them into areas nearer the river, where they could be kept from contact with more populated areas, particularly the Gaza refugee camp.

The offensive was launched in the early hours of 13 July and shows no signs of stopping. Although guerrilla broadcasts are highly exaggerated, particularly with respect to casualties, the army has clearly committed a significant force to the battle, including tanks and infantry—possibly more than had originally been planned.

[redacted] the fedayeen are being gradually pushed south and west; government troops are said to be in ebullient spirits and probably have every intention of continuing the operation until it is completed.

Reaction from other Arab states has been relatively restrained, although it will probably intensify as the fighting continues. Egypt felt it necessary to postpone King Husayn's visit to Cairo but did not link the delay specifically to the offensive. An early government statement merely said Cairo viewed the developments in Jordan with "extreme concern," but an Egyptian newspaper later warned that Egypt was ready to intervene politically to prevent a bloodbath. Although Palestinians meeting in Cairo appealed to the Syrian Government to intervene, statements from Damascus perfunctorily deplored the fighting [redacted]

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Egyptian, Libyan, Syrian, and Sudanese leaders meeting in Mersa Matruh may well feel called upon to issue sharper statements of condemnation and may attempt to set up some kind of pan-Arab mediating committee. The two-man delegation set up by President Sadat and King Faysal late in June has so far done little to ease the problem, but is expected to return to Amman. Barring massive pressures from other Arab states, however, King Husayn probably intends to continue the operation until the fedayeen are driven into areas where they can be strictly controlled. [redacted]

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WESTERN HEMISPHERE

Guyana Nationalizes a Bauxite Company

The Guyanese Government's nationalization of the Demerara Bauxite Company (DEMBA), a subsidiary of the Aluminum Company of Canada (ALCAN), took place on 15 July after nearly eight months of bitter negotiations.

Although the government has resolved some of the more immediate problems connected with the nationalization of DEMBA, the Guyana Bauxite Company (GUYBAU), a new entity formed by the government to operate DEMBA's former holdings, still faces long-term problems. The minister of mines and forests announced that arrangements have been made for marketing GUYBAU's 1971 production, which had been one of the most serious problems.

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ALCAN, and management of the new company. A new management team, which has been appointed to replace most of the senior-level DEMBA staff, is relatively inexperienced and may encounter difficulty. As a result, GUYBAU may find it difficult to maintain the current level of output necessary to meet its financial commitment to ALCAN.

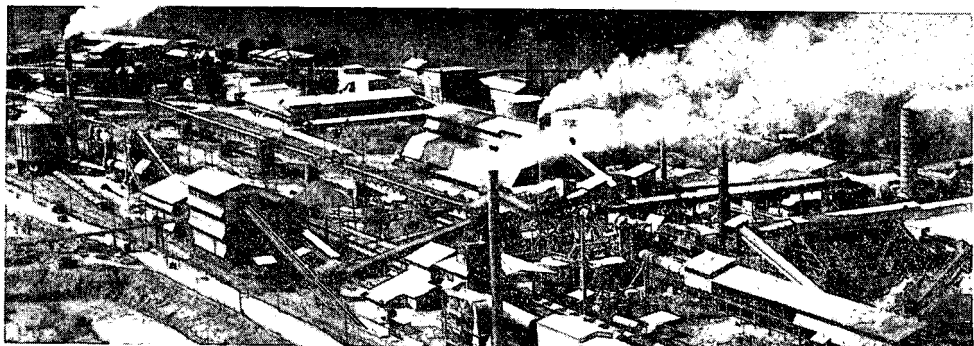
Another important problem to be resolved, and one with many political implications, is that of the company's use of the bauxite storage and transshipment facilities at Chaguaramas, Trinidad. ALCAN, which has a long-term lease on these facilities, claims it will need to use them all to ensure the supply of raw material to its smelting plant in Canada. The Trinidad and Tobago Government, however, has announced that it will take steps (including immediate discussions with ALCAN) to secure effective participation by Trinidad and Tobago in ALCAN's bauxite storage facility in order to ensure their continued availability to Guyana.

The possibility of finding markets for some GUYBAU production in Eastern Europe and the USSR would appear to be good for at least the immediate future, thus easing some of the pressure on the Guyanese Government. The long term prospects for retaining markets depend upon results of current prospecting efforts by those countries as well as prior commitments and relationships with other nondomestic supplies. It would appear to be in ALCAN's interest to assist GUYBAU in resolving both marketing and shipping problems to ensure future compensation payments.

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The Guyanese Government faces still other problems, including the ability to compensate

Bauxite Plant in Linden



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CHILE: The by-election in Valparaiso on 18 July to fill a legislative seat in the lower house is an important test between government and opposition forces. Although the election has been overshadowed by earthquakes, devastating storms, and ballyhoo over copper nationalization, it marks the first time that President Allende's opposition has combined to support one candidate against his coalition. The election promises to be very close, but the advantages to the Socialist candidate of the propaganda and pork-barrel re-

sources of the government are marked. In a clever move to preclude the capture of the small but vital Radical Party (PR) vote for the opposition candidate, the government coalition appointed as its campaign chief a disgruntled local PR boss. The defeat of the Christian Democratic candidate would discredit that party's moderate leadership and ex-president Frei. It also would provide Allende with increased political leverage of considerably greater magnitude than the importance of the election itself.

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Central American Common Market Still Shaky

Over the past month there has been intense diplomatic activity within Central America in an attempt to prevent further erosion of the Central American Common Market. Efforts to get Costa Rica to remove recently imposed obstacles to regional trade have met with some success, but aside from this, not much real progress has been made. Prospects remain dim for any settlement between El Salvador and Honduras of the basic problems that have paralyzed the integration movement since 1969.

The latest crisis began last month when Costa Rica became aware that it was faced with a serious balance-of-payments problem and became upset by the heavy influx of Guatemalan and Salvadoran goods that previously went to Honduras. Finding itself in much the same position that Honduras had been in at the end of 1970, Costa Rica followed in Honduran footsteps and adopted a protectionist policy in contravention of the Market's free trade policies.

Guatemala, El Salvador, and Nicaragua, fearing that Costa Rica would leave the Market, explored ways in which the integration movement could be made more responsive to Costa Rican needs. Honduran refusal to participate in Market activities had prevented regional decision-making organizations from functioning. A four-member normalization commission was proposed but there was a fundamental disagreement as to the function the commission should serve. Guatemala and El Salvador, having benefited most from economic integration, were primarily interested in maintaining the status quo and they desired that

the commission concern itself only with short-term regional trade problems. Nicaragua and Costa Rica, along with Honduras, were interested in eliminating regional trade imbalances and in equalizing benefits from industrialization. They hoped, therefore, that the council would address itself to a fundamental restructuring of the Market. To Costa Rica's great dismay the views of Guatemala and El Salvador prevailed, and the main focus of the normalization commission has been to get Costa Rica to roll back all trade restrictions.

At the same time, regional efforts to induce Honduras to return to the fold have continued. The 5 July Agreement of Tegucigalpa signed by Honduras, Guatemala, Costa Rica, and Nicaragua sought to revive Honduran trade with its neighbors by permitting bilateral agreements. This concession to Honduras is responsive also to the needs of Nicaragua and Costa Rica for additional trade outlets and should relieve some of the competitive pressures among the four remaining Common Market members. The agreement, moreover, leaves the door open for informal meetings of all five economic ministers to continue efforts to reform the Market.

At best, however, these are stopgap measures. Honduran President Cruz is insisting on a "global" settlement not only of all Common Market problems but also of all outstanding difficulties between Honduras and El Salvador beginning with an agreement on border demarcation. Such a settlement is not in sight and the forces of regional disintegration are still in the ascendancy.

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Cuba: Foreign Minister's Junket

Foreign Minister Raul Roa's recent 34-day trip to Algeria, the USSR and three East European countries was basically a mission of showing the flag. None of the joint communiqués issued



Cuba's Foreign Minister Roa

after his visits indicates that significant changes have been effected in Cuba's relationships with any of these countries. The fact that Roa stopped off in several resort areas and was accompanied by his wife suggests that Havana viewed the sojourn as something of a vacation for the aging foreign minister.

In Moscow, Roa met with party Secretary General Brezhnev, Council of Ministers Chairman Kosygin, and Foreign Minister Gromyko before going on to Leningrad, Kiev, Sevastopol, and Yalta. His talks with the Soviet leaders were described in *Pravda* as taking place "in an atmosphere of cordiality and mutual understanding," and the visit was assessed as a "positive contribution to the further development and consolidation of the fraternal friendship and many-sided cooperation between socialist Cuba and the Soviet Union."

Roa's reception by top Soviet officials and the diplomatic niceties expressed in the communiqué in *Pravda* set the pattern of his later

visits to Poland, Czechoslovakia, and East Germany. In each country, Roa met with high party and government officials, indulged in a bit of sightseeing, and contributed to joint statements designed primarily to satisfy the requirements of protocol. Some of Roa's contacts included important trade officials. Despite the Czechoslovak radio's claim that Roa's mission to "certain socialist countries in Europe" was to develop "a more coordinated and systematic approach" to bilateral cultural and economic contacts, however, it is unlikely that Roa would be given a task which heretofore has been the province of Minister without Portfolio Carlos Rafael Rodriguez or Foreign Trade Minister Marcelo Fernandez Font, who were in East Europe at the same time as Roa.

Roa's stay in Algeria fits the mold of his visits in East Europe. He met with Prime Minister Boumediene, National Liberation Front Party chief Kaid, and Foreign Minister Bouteflika in Algiers and then visited other cities. The joint communiqué made public just prior to his departure for Cuba contained nothing new, other than a promise by both sides to "redouble their consultations for the purpose of coordinating their actions in the anti-imperialist struggle."

The lack of definite agreements from the trip, which is the first such journey Roa has undertaken, do much to confirm the impression that the Cuban foreign minister is little more than a figurehead. He has little influence in the definition of policy and is used primarily in protocol functions and as a mouthpiece for promoting the government's line in international meetings and conferences.

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